No. 92-1829

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IN THE

Supreme Court of the United States

October Term, 1992

LINDY PEN COMPANY, INC. and
BLACKFEET PLASTICS, INC.,

Petitioners,

vs.

BIC PEN CORPORATION,

Respondent.

OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

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August 13, 1993

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COUNTER STATEMENT OF THE QUESTION PRESENTED

Whether the Ninth Circuit's third opinion in this 13½ year old case is consistent with Sixth Circuit precedent in applying this Court's holding in *Mishawaka Mfg. Co.* v. *Kresge Co.*, 316 U.S. 204 (1942), regarding the burden of proving a trademark infringer's profits under 15 U.S.C. §1117(a), where:

(1) in order to determine infringer's profits under 15 U.S.C. § 1117(a), a trademark owner has the burden of proving infringer's gross sales of the infringing item, and the infringer must prove its cost or deduction from such gross sales;

(2) this Court, in *Mishawaka*, held that, where sales of the infringing item were "commingled" with sales of non-infringing items, it was improper to place on the trademark owner the "impossible" burden of proving infringer's sales which the trademark owner would have made "but for" the infringement, specifically those sales made to "particular purchasers" who were "induced" to buy the infringing item because they mistakenly believed it to be the trademark owner's product;

(3) in applying 15 U.S.C. § 1117(a) and this Court's ruling in *Mishawaka*, the Sixth Circuit, in *Wynn Oil Co.* v. *American Way Service Corp.*, 943 F.2d 595 (6th Cir. 1991), held that, where the infringer claimed that it was "impossible" to determine sales of the infringing item because they were "commingled" with sales of non-infringing products, infringer has the burden of apportioning non-infringing sales from infringing sales;

(4) it is well-settled law of the present case that the only possible infringement herein involves "innocent" sales of "BIC Auditor's Fine Point PF" pens in *only one* of several markets,

namely, the judicially-defined narrow telephone order market, and *only* those telephone order sales which were made in a very specific manner, namely, by use of the word "Auditor's" *alone*, *without* reference to brand names (BIC and LINDY) or model numbers (PF and 460-F), *without* an opportunity for customers to view catalogs, promotional material, the pens themselves or the boxes or packaging of the pens, *and without* an established relationship between the customer and dealer;

(5) in the present case, infringer did *not* commingle sales of infringing and non-infringing products, and the trademark owner had discovery of infringer's records which showed the number of "BIC Auditor's Fine Point PF" pens sold to the types of customers who, based on law of this case, could possibly have been involved in the telephone order market; and

(6) in applying 15 U.S.C. §1117(a) and this Court's ruling in *Mishawaka*, the Ninth Circuit in the present case held that, since it was possible to prove from infringer's sales records a reasonable estimate of gross sales of the possibly infringing item (i.e., gross sales in the telephone order market), the trademark owner bears the burden of proving gross telephone order sales, thereby requiring infringer to apportion or isolate those telephone order sales which were not made in a manner judicially defined as an infringement (i.e., reference to the term "Auditor's" alone), and further requiring infringer to prove all other elements of cost or deduction from gross telephone order sales.

PARTIES

Pursuant to Supreme Court Rule 29.1, Respondent Bic Pen Corporation (hereinafter referred to as "Bic"), which changed its name to Bic Corporation on May 18, 1982, identifies its parent company as Societé Bic S.A.

Petitioners are Lindy Pen Company, Inc. and Blackfeet Plastics, Inc. (hereinafter referred to as "Lindy").

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Note: Emphasis is added throughout this Opposition unless otherwise indicated.

OPINIONS BELOW

The three Opinions of the United States Court of Appeals for the Ninth Circuit in this case, reported at 725 F.2d 1240 (9th Cir. 1984), 796 F.2d 254 (9th Cir. 1986), and 982 F.2d 1400 (9th Cir. 1993), and the Supplemental Order Re Damages of the United States District Court for the Central District of California, dated December 15, 1989 and reported at 14 U.S.P.Q.2d 1533, attached to Lindy's Petition for Writ of Certiorari as Appendices A, B, C and D, are incorporated herein by reference.

In addition, the district court's Order Re Damages, dated August 1, 1989 and reported at 14 U.S.P.Q.2d 1528, and the district court's two liability decisions, the first of which is reported at 550 F.Supp. 1056 (C.D. Cal. 1982) and the second of which is unreported but located at the district court Clerk's Record Docket No. ("CR") 202, are reprinted as Appendices 1, 2 and 3 of this Opposition, respectively.

COUNTER STATEMENT OF THE CASE

The Liability Decisions

After 13½ years of litigation, Bic has been completely exonerated of Lindy's charge of infringement with respect to all of the major markets within which the parties intended to sell, and in fact almost entirely did sell their subject pens, namely the mail order, telephone solicitation, retail over-the-counter and manufacturer-to-intermediary markets.[1]

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[1] After trial, Judge Cynthia H. Hall (since elevated to the Ninth Circuit) found that the pens in suit were *totally distinguishable* and the packaging and collateral display material were *completely dissimilar* in graphics and textual content, that the distinct brand

(continued...)

The *only* market wherein any court has found the *possibility* of a likelihood of confusion and, hence, infringement, to exist is a narrow market in which Bic did not even intend to sell its subject pens, specifically the *telephone order market*, wherein "some retail or commercial customers use[d] the telephone to place orders for pens with office supply stores or other wholesale dealers." CR 202 at 2; 796 F.2d 254, 257.

The several liability decisions in this case have further limited the scope of Bic's infringement to sales made in the telephone order market *only in a particular manner*, namely, sales in the telephone order market involving use of the term "Auditor's" alone, *without* reference to manufacturer/brand name (BIC or LINDY) or model number (PF or 460-F), *without* an opportunity for the customer to view catalogs, the pens, their packaging, or promotional material, and *without* an established relationship between customer and seller. 725 F.2d at 1245-46; CR 202 at 4; 796 F.2d at 256.

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[1](...continued)

names BIC and LINDY were *prominently* and *repeatedly* displayed on such packaging and promotional material, that Bic's use of the term "Auditor's" on its subject pens was in conjunction with the words "Fine Point" as well as the famous BIC tradename, that Lindy's customers *primarily* referred to model number "460-F" when ordering, that there was "*no showing of actual confusion*", and that Bic adopted the "Auditor's Fine Point" designation "to identify its pen as having an extra-fine point" and "[t]here is *no indication* in the record that defendant sought to capitalize on plaintiffs mark". 550 F.Supp. 1056.

The Damages Decisions

On the accounting/damages remand, the district court, in its Order Re Remand dated August 7, 1987, entered an injunction (even though Bic made no profit and indeed lost money on its "BIC Auditor's Fine Point PF" pens, and voluntarily stopped using the accused designation in 1984). The court also ordered that the parties "conduct discovery regarding damages and profits", and that, upon completion of discovery, the parties file Statements of Position to include "[t]he amount of telephone order sales of Bic pens. The parties should address the propriety and feasibility of a breakdown of sales based on orders requesting pens by manufacturer's name, model number and 'AUDITOR'S'". CR 224 at 2.

After almost two years of damages discovery, and upon consideration of the parties' Statements of Position (CR 289, 290), on August 1, 1989, the district court issued its Order Re Damages, holding that "[b]ecause the defendant's infringement in this case was *innocent*, the Court hereby DENIES the plaintiffs' request for an award of the defendant's profits" (and attorneys' fees) under 15 U.S.C. §1117(a). 14 U.S.P.Q.2d at 1530.

The district court also held that Lindy's evidence purporting to establish the "amount of damages resulting from infringement" was, for several specified reasons, "problematic, to say the least", holding that "[b]ecause of the flaws inherent in the plaintiffs' damage calculations, this Court is unable to determine a reasonable forecast of the plaintiffs' lost sales." *Id.* at 1531-32.

The accounting/damages remand should finally have ended at that point;[2] however, the district court, giving Lindy an unprecedented second opportunity to prove damages, ordered Lindy to submit an additional "lost profit assessment" showing Lindy's telephone order sales during a 6-year pre-infringement base period and 6-year infringement period. *Id.* at 1532.

The district court also offered, *sua sponte*, that "[i]f the plaintiffs cannot establish lost profits by this method with reasonable certainty, they may use an unjust enrichment method to measure their damages. The *plaintiffs* are cautioned, however, that they bear the *burden of establishing the defendant's sales in the telephone order submarket*.... The defendant then must prove any costs or deductions from this figure." *Id.* at 1532-33 (citing *Mishawaka* and 15 U.S.C. §1117(a)).[3]

Two months later, Lindy filed its (second) Memorandum Calculating Damages (CR 300) which, while using 6-year pre-

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[2] *See Maltina Corp.* v. *Cawy Bottling Co.*, 613 F.2d 582, 587 (5th Cir. 1980) ("plaintiffs have had an opportunity to show their damages and have failed to do so. This Court concludes that plaintiffs should not have another opportunity to show their damages.... In the ten years since the plaintiffs filed their original petition, this case has been before us three times. All litigation must end").

[3] Under 15 U.S.C. §1117(a), the district court had *already denied* Lindy's request for an award of Bic's infringing profits (if any) in view of Bic's "innocent" infringement. *Id.* at 1530. The same equitable considerations upon which the district court relied in denying an award of Bic's alleged profits under 15 U.S.C. §1117(a) should also have applied in denying an award of Bic's alleged profits under the unjust enrichment theory.

infringement and infringement periods, *still failed to comply* with the district court's order for a showing of Lindy's own telephone order sales. Disregarding the district court's clear directive, Lindy's second evidentiary submission also did not even attempt to establish Bic's telephone order sales.

The district court thus issued its Supplemental Order Re Damages, dated December 15, 1989, holding that "[d]espite access to proof, such as Lindy's customer lists, and extensive discovery on the issue of damages... plaintiffs have failed to sustain their burden of proving reasonably forecast profits." *Id.* at 1534. The court also held:

> The plaintiff's burden in this case, under this [unjust enrichment] alternative method of calculation, is to prove the defendant's sales of the infringing article -- the sales of Bic "Auditor's fine point" pens in the telephone order submarket. Rather than attempt to meet this burden, however, the plaintiffs offer only a calculation of the defendant's total sales of Bic "Auditor's fine point" pens. Because the plaintiffs have failed to establish the defendant's sales of Bic "Auditor's fine point" pens in the telephone order submarket, the Court cannot base an award on the plaintiffs' alternative method of calculating damages.

Id.

On Lindy's third appeal, the Ninth Circuit held that, in view of the well-settled law of the case that Bic's infringement was *innocent*, the district court did not abuse its discretion in denying an accounting of Bic's alleged profits under 15 U.S.C. §1117(a) (and in denying an award of treble damages and attorneys' fees under 15 U.S.C. §1117(b)). 982 F.2d at 1406. The Ninth Circuit further held that, since Lindy failed to

establish *its own* telephone order sales, it "*never furnished the court with any reasonable estimate of its own sales*" and thereby "declined to provide the court with *any evidence of its loss caused by Bic's wrongdoing*". *Id.* at 1408. The Ninth Circuit concluded that "[i]t would have been error for the district court to select an arbitrary percentage of total sales to represent the more narrow submarket of telephone sales," and "[t]he court was correct, therefore, in finding that Lindy failed to sustain its burden of proving reasonably forecast profits." *Id.*

The Ninth Circuit then *rejected* Lindy's contention that, by requiring Lindy to prove Bic's gross telephone order sales, the district court improperly shifted to the trademark owner, the burden of apportioning infringing sales from non-infringing sales. The Ninth Circuit explained:

> However, an accounting is intended to award profits *only on sales that are attributable to the infringing conduct*. The *plaintiff* has *only* the burden of establishing the defendant's *gross profits from the infringing activity* with reasonable certainty. Once the plaintiff demonstrates gross profits, they are presumed to be the result of the infringing activity. *Mishawaka Rubber & Woolen Mfg. Co.* v. *S.S. Kresge Co.*, 316 U.S. 203, 206-07, 62 S.Ct. 1022, 1024-25, 86 L.Ed. 1381, 1385-86 (1942). The defendant thereafter bears the burden of showing which, if any, of its total sales are not attributable to the infringing activity, and, additionally, any permissible deductions for overhead. 15 U.S.C. 1117(a).

Id.

The Ninth Circuit held:

> Lindy failed to come forward with *any* evidence of sales of the Bic "Auditor's Fine Point" in the infringing market. Lindy instead brought forth proof of Bic's total sales. Lindy averred to the court that a division of Bic's sales into the telephone submarket "is impossible from Bic's records since Bic never separated its pens according to telephone sales...." *To the contrary, Lindy had access through discovery to Bic's records from which a reasonable estimate could have been accomplished.*

Id.[4]

The Ninth Circuit affirmed the district court, concluding that Lindy did not present "competent evidence of its lost profits or Bic's unjust enrichment arising from the infringement." *Id.* at 1409.

Lindy, thereafter, petitioned this Court for a Writ of Certiorari.

SUMMARY OF ARGUMENT

Lindy argues that this Court should grant its Petition in order to resolve a purported conflict between the Ninth and Sixth Circuits regarding the burden of proving a trademark infringer's profits under 15 U.S.C. § 1117(a), which provides

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[4] The Court also recognized that Bic offered evidence of cost and deduction showing that it made no profit on its pens, but declined to consider such evidence since "Lindy failed to make a prima facie showing of Bic's unjust enrichment." *Id.*

that a trademark owner prove only *infringer's gross sales of the infringing product*, after which the infringer prove its cost or deduction from such gross sales. Specifically, Lindy alleges that the Sixth Circuit, in *Wynn*, followed this Court's ruling in *Mishawaka* by requiring the infringer to apportion its sales of the infringing item from sales of other products, while the Ninth Circuit in its third opinion in the present case allegedly has failed to follow *Mishawaka* in requiring Lindy to prove Bic's gross telephone order sales.

However, in *Mishawaka*, the infringer made it "impossible" to determine gross sales of the infringing product, by commingling sales of the infringing product with sales of other products (i.e., infringing and non-infringing shoe heels "indiscriminately mixed" and sold from the same bins). This Court held that, under such circumstances, it is improper for the trademark owner to bear the burden of proving gross sales of the infringing product which the trademark owner would have made "but for" the infringement, since that would require the trademark owner to prove, through a "procession of witnesses," each sale made by the infringer to customers who were "induced" to purchase the infringing product specifically because they mistakenly believed it to be the trademark owner's product. *See* 316 U.S. 203.

Similarly, in *Wynn*, a willful infringer commingled sales of the infringing product with sales of other products (infringing and non-infringing auto repair warranties sold to the same customers), and then affirmatively relied on such commingling in asserting that it was "impossible" to determine gross sales of the infringing product. The Sixth Circuit, following *Mishawaka*, held that, under such circumstances, the willful infringer, not the trademark owner, has the burden of apportioning gross sales of the infringing product from gross sales of non-infringing products. *See* 943 F.2d 595.

In the present case, infringing sales are *only* those sales of "BIC Auditor's Fine Point PF" pens *in the telephone order market* made in a *very specific manner*, namely through use of the term "Auditor's" *alone*, *without* reference to brand names (BIC or LINDY) or model number (PF or 460-F), *without* an opportunity for customers to view catalogs, promotional material, the pens themselves or the boxes containing the pens, *and without* an established customer-seller relationship. 725 F.2d 1240; CR 202; 796 F.2d 254.

Under 15 U.S.C. § 1117(a), Lindy must prove gross sales of the infringing item, and, as such, in the present case bears the burden of proving gross sales of "BIC Auditor's Fine Point PF" pens made in the telephone order market in the specific manner judicially-defined as an infringement. The Ninth Circuit, however, required only that Lindy prove Bic's gross telephone order sales, *not* even those made in an infringing manner, thereby placing the burden on Bic to apportion gross infringing telephone order sales from non-infringing telephone order sales, and, further, to prove all other elements of cost or deduction from gross infringing telephone order sales, in order to determine infringing profits.

Thus, Lindy was *not* required to prove the amount of Bic's telephone order sales that Lindy would have made "but for" Bic's infringement, and therefore was *not* required to show, by a "procession of witnesses" or otherwise, the amount of telephone order sales of "BIC Auditor's Fine Point PF" pens which were made to specific consumers who were induced to purchase because they mistakenly believed the pens to be "LINDY Auditor's 460-F" pens.

Moreover, Bic did *not* commingle sales of its "BIC Auditor's Fine Point PF" pens with sales of its other pens, and did *not* commingle its "BIC Auditor's Fine Point PF" pens sold

to customers possibly involved in the telephone order market with those sold to customers involved in other markets. To the contrary, Bic's records, produced during the 2-year damages discovery period, apportion sales of the "BIC Auditor's Fine Point PF" pens among several categories of Bic customers, including specifically-identified customers who are the types of companies which, based on the district court's definition of the various markets, could possibly have been involved in telephone order sales, i.e., "office supply stores or other wholesale dealers." CR 202 at 2.

Consequently, it was *not* "impossible" for Lindy to show a reasonable basis for an approximate amount of Bic's gross telephone order sales. In fact, as the Ninth Circuit held, "[t]o the contrary, Lindy had access through discovery of Bic's records from which a reasonable estimate could have been accomplished." 982 F.2d at 1408.

Contrary to Lindy's allegations, therefore, since Bic did *not* commingle infringing products with non-infringing products, *nor* made it impossible to determine a reasonable estimate of gross sales of the infringing item, and Lindy was *not* required to show the amount of telephone order sales Lindy would have made "but for" the infringement, *nor* required to apportion Bic's infringing and non-infringing sales, the Ninth Circuit in *Lindy III* correctly applied *Mishawaka* to the facts of the present case regarding the burden of proving Bic's alleged infringing profits under 15 U.S.C. § 1117(a), and, thus, is consistent with the Sixth Circuit in this regard.

Accordingly, since there is *no* conflict among Circuits, Bic respectfully requests that this Court deny Lindy's Petition and bring to a complete close the final chapter of this 13½-year old case.

ARGUMENT

THERE IS NO CONFLICT BETWEEN THE NINTH AND SIXTH CIRCUITS REGARDING THE BURDEN OF PROVING A TRADEMARK INFRINGER'S PROFITS SINCE BOTH CIRCUITS ARE CONSISTENT IN APPLYING 15 U.S.C. §1117(a) AND THIS COURT'S HOLDING IN "MISHAWAKA" TO THE PARTICULAR FACTS OF THE CASES BEFORE THEM, INCLUDING THE PRESENT CASE

A. 15 U.S.C. §1117(a)

As set forth in Section 35 of the Lanham (Trademark) Act, "[i]n assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed." 15 U.S.C. § 1117(a). [See App. E to Lindy's Petition].

B. This Court's Ruling In *Mishawaka*

In *Mishawaka Mfg. Co.* v. *Kresge Co.*, 119 F.2d 316 (6th Cir. 1941), *rev'd*, 316 U.S. 203, 62 S.Ct. 1022, 86 L.Ed. 1381 (1942), petitioner Mishawaka for many years manufactured, sold and distributed footwear, and manufactured rubber heels for its footwear. Also for many years, Mishawaka had used, as trademarks, circular plugs of contrasting colored rubber embedded in the heels of its shoes. Respondent Kresge operated retail stores where it sold several types of detached rubber heels, which variously had red, orange and green circular plugs, an indented diamond-shaped plug, and a circular American Eagle plug. Kresge's differently-marked heels were "indiscriminately mixed together at the same counters" and displayed and sold from the same bins. 119 F.2d at 321-22.

The district court held that only certain of Kresge's heels infringed Mishawaka's colored circular marks, and issued an injunction against Kresge's rubber heels "with a red or reddish circular ball figure." *Id.* at 322. The district court also ordered that Kresge account to Mishawaka for profits from sales of "rubber heels bearing a red or reddish circular mark ... to purchasers who were induced to buy because they believed the heels to be those of appellant [Mishawaka] and which sales appellant otherwise would have made." *Id.*

On appeal, Mishawaka argued that Kresge should account for profits on the sale of all heels with the colored circular marks, "regardless of any direct evidence of positive deception or whether or not appellant would otherwise have made the sales." *Id.*

The Sixth Circuit held:

> But, before he [appellant trademark owner] is entitled to an accounting of profits for the use of his mark, the burden rests on him to show by a fair preponderance of evidence that either actual or reasonably probable deception or confusion has resulted and regard must be given to the class of persons who purchase the articles and to the circumstances ordinarily attending their sale. From the circumstances of this case, there appears no reasonable probability that there was confusion or deception without evidence of the fact. Therefore, the burden was upon appellant to prove that appellee had made profits attributable in whole or in part to the use of appellant's trade-mark, even though they used identical or similar colors.

> We agree with the District Court that the burden is upon appellant to prove that the appellee has made profits attributable in whole or in part to its trade-mark.

Id. at 325-26.

After granting Mishawaka's petition for a writ of certiorari, this Court explained:

> Infringement and damage having been found, the [Trademark] Act requires the trade-mark owner to prove only the sales of articles bearing the infringing mark.
>
> Although the award of profits is designed to make the plaintiff whole for losses which the infringer has caused by taking what did not belong to him, Congress did not put upon the despoiled the burden -- as often as not *impossible to sustain* -- of showing that *but for* the defendant's unlawful use of the mark, *particular customers* would have purchased the plaintiff's goods.

316 U.S. at 206.

The Court continued:

> If it can be shown that the infringement had no relation to profits made by the defendant, that some purchasers bought goods bearing the infringing mark because of the defendant's recommendation or his reputation or for any reason other than a response to the diffused appeal of the plaintiff's symbol, the burden of showing this is upon the poacher. The

> plaintiff of course is not entitled to profits demonstrably not attributable to the unlawful use of his mark. The burden is the infringer's to prove that his infringement had no cash value in sales made by him. If he does not do so, the profits made on sales of goods bearing the infringing mark properly belong to the owner of the mark.

Id. at 206-207 (citations omitted).

The Court then recognized that the decree below "awarded only those profits which [the plaintiff trademark owner] can affirmatively prove to have resulted from sales 'to purchasers who were induced to buy because they believed the heels to be those of plaintiff, and which sales plaintiff would otherwise have made.'" *Id.* at 207.

The Court further explained:

> The decree in effect requires the petitioner to prove by a procession of witnesses, that when they bought heels from the infringer they had a *clear, well-focussed consciousness* that they were buying the petitioner's heels and that otherwise they would not have bought them. But the shoe is on the other foot.

Id. at 207-208.

Accordingly, the Court vacated the Sixth Circuit's decision in order to remand the case to the district court.

C. The Sixth Circuit's Ruling In *Wynn*

In *Wynn Oil Co.* v. *American Way Service Corp.*, 736 F.Supp. 746 (E.D. Mich. 1990), *aff'd in part, rev'd in part and remanded*, 943 F.2d 595 (6th Cir. 1991), plaintiff Wynn since the early 1970's marketed a line of car care products under the mark "X-TEND", and marketed a product warranty program called "Wynn's X-TEND Guarantee" under which consumers received a warranty against certain auto repair costs provided they regularly used Wynn's X-TEND auto products. In 1980, defendant American Way introduced an extended warranty program to car dealers to cover certain auto repair costs. By 1985, American Way marketed its warranty program under the mark "The American Way X-TEND."

After finding that American Way's use of X-TEND was likely to cause confusion and constituted willful trademark infringement, the district court issued an injunction. However, the court did not award damages or profits because defendant's testimony regarding infringing sales was self-contradictory and also not credible since it was based heavily upon records which defendant originally claimed did not exist. The court explained:

> Defendant Warmus [American Way's president and sole shareholder] testified that since 1985, American Way's gross receipts from the administration of its service contracts have never been less than Five Million Dollars per year. No other figures have been provided, as Defendants had maintained throughout discovery that income and profits from the program were "trade secrets". Warmus also testified that it is *impossible to ascertain from his records* what portions of the income of his corporation may be attributed to his credit life insurance business, and which portion to his X-

TEND program. However, he further testified to the contrary that the real moneymaker is the credit life branch of the business, and the X-TEND program is a mere accommodation to keep his credit life customers, and generates no income.

In further contradiction, Warmus testified that his "meticulous records" indicate expenses of up to Three Million Dollars per year in promotional banners, flags, posters, etc. for his X-TEND program similar to those which Plaintiff placed in evidence. That testimony begs the question of why promotion would be necessary for an accommodation made at a loss.

Warmus additionally testified that, of the X-TEND receipts he reported pursuant to a magistrate's discovery order, 99% must be paid to an insurance company (his) to pay premiums for the coverage offered, and the balance is absorbed in administrative expenses. Moreover, he stated that all premiums not paid out to adjust claims must be returned to the dealers.

Although the Court is confident that Defendants do not operate the X-TEND program as a charitable endeavor, it cannot on the facts of record ascertain the profits made as a result of Defendants' willful infringement.

Accordingly, no damages will be awarded.

Id. at 757-58.

On appeal, the Sixth Circuit explained that, under 15 U.S.C. §1117(a), "[i]t is not the plaintiff's burden to prove the profits with exactness because the statute places the burden on the defendant once the plaintiff comes forward with proof of the defendant's gross sales." 943 F.2d at 605.

The Court stated:

> In this case, *plaintiff went to great lengths* to ascertain the profits made by defendants through use of the X-TEND mark. Their *efforts were largely frustrated by defendants' elusive tactics*. Defendants resisted discovery on the ground that the sales information was a "trade secret." The magistrate in charge of discovery matters ordered defendants to disclose "the total dollar receipts from service contracts for the years 1985 through 1989." Defendants furnished a figure *and claimed later that it was impossible to determine the sales from service contracts using the X-TEND mark* because they were *commingled* with other sales and included monies which merely flowed through defendants. Defendant Warmus also claimed that he provided the X-TEND service contracts as a mere accommodation to his customers and that the program generated no income.
>
> The district court found that Warmus' denial of profits on the service contracts was self-contradictory and devoid of credibility; however, it declined to award the unjust profits because of uncertainty as to the amount. Defendants argue that the district court's approach was correct because Wynn failed to meet the burden of proving gross sales. Defendants argue that Wynn was responsible

> for apportioning the "total receipts" into sales of service contracts, other receipts, etc.

Id. at 605-606.

> Relying on *Mishawaka*, the Sixth Circuit held:
>
> However, both common sense and the statute [15 U.S.C. § 1117(a)] suggest that the burden of apportioning the profits should be placed on the defendants.

Id. at 606.

Since defendants created and then affirmatively relied upon the alleged "impossibility" of isolating its gross sales of the infringing product, the Sixth Circuit held that the district court abused its discretion in refusing to award defendants' profits, and remanded with instructions to "place the burden on defendants to prove deductions from the gross receipts from service contracts and resolve uncertainty in [plaintiff] Wynn's favor." *Id.* at 607.

D. The Ninth Circuit's Ruling In *Lindy III*

Bic does not suggest, and the Ninth Circuit in *Lindy III* did not hold, that Lindy must show that "but for" Bic's use of the term "Auditor's", "*particular customers* would have purchased" Lindy's "Auditor's" 460-F pens because they purchased Bic's pens with a "clear, well-focussed consciousness that they were buying the petitioner's [pens] and that otherwise they would not have bought them." 316 U.S. at 206-208. The Ninth Circuit also did not hold that Lindy may be awarded "only those profits which it can affirmatively prove to have resulted from sales 'to purchasers who were induced to buy because they believed the

[BIC Auditor's Fine Point PF pens] to be those of [Lindy], and which sales [Lindy] would otherwise have made.'" *Id.* at 207.

Instead, the Ninth Circuit required Lindy only to show Bic's gross sales in the telephone order market *regardless* of whether "but for" Bic's use of the term "Auditor's" in the telephone order market, "particular customers would have purchased" Lindy's pens, and *regardless* of whether particular purchasers "were induced to buy because they believed" the BIC PF pens were Lindy "Auditor's." *Id.* at 206-208. The Ninth Circuit, thus, placed the burden on *Bic* to apportion any such sales "demonstrably not attributable to the unlawful use of [Lindy's] mark" (e.g., telephone order sales made through use of manufacturer name, model number, catalogs, or established relationship). *Id.* at 206.

Lindy incorrectly contended before the Ninth Circuit that a showing of gross telephone order sales was "impossible" since such evidence resides with Bic's customers. However, as a pen manufacturer for over 20 years, Lindy has long known the identity of the customers of its competitors, including Bic's customers. In fact, several witnesses at the liability trial, including Lindy's own witnesses, testified that they bought both Lindy *and* Bic pens. Furthermore, during the accounting/damages discovery period, Bic produced the names and addresses of *every* Bic customer which purchased "BIC Auditor's Fine Point PF" pens, and Lindy even retained as an "expert" Bic's former national sales manager who was responsible for sales of "BIC Auditor's Fine Point PF" pens and was well aware of the identity and size of Bic's customers.

Indeed, in a letter to a Bic customer dated May 20, 1988, Lindy *admitted* that it has the burden of proving gross telephone order sales, stating:

> Since *we* must determine, as best *we* can, how many of the 'Auditor's' pens made by Bic were sold responsive to telephone orders and how many were sold responsive to mailed in orders, I called you.
>
> * * * *
>
> These are important questions for Blackfeet.... *Blackfeet*, however, *must make the determination* of percentage of sales of these pens made by telephone, and needs your assistance. (CR 240 at Ex. B).

Lindy, thus, had ready access to evidence of Bic's telephone order sales. Lindy simply never engaged in typical, rudimentary discovery at *any* point during the accounting/damages remand -- Lindy did not, at any time during the 2 year damages discovery period, depose or subpoena the records of *any* of Bic's customers, and Lindy made *no* effort, during the additional two month second chance offered by the district court, to obtain evidence from any of Bic's customers, not even those who were Lindy witnesses at trial eleven years ago. Lindy has only itself to blame for its repeated failure of proof.

Lindy now claims that, since it allegedly could only obtain proof of Bic's telephone order sales from Bic's customers, Lindy was improperly required to prove such sales to "particular customers" through the "procession of witnesses" which *Mishawaka* held was infringer's burden. However, unlike defendants in *Mishawaka* and *Wynn*, as noted above, Bic did *not* commingle sales of its "BIC Auditor's Fine Point PF" pens with sales of its other pens or other products, and did *not* commingle sales of its "BIC Auditor's Fine Point PF" pens sold to customers possibly involved in the telephone order market with those sold to customers involved in other markets.

On the contrary, Bic's records, produced during the 2-year damages discovery period, apportion sales of the subject pens among several categories of Bic customers, including specifically-identified customers who are the types of companies which, based on the district court's definition of the various markets, could possibly have been involved in telephone order sales, i.e., "office supply stores or other wholesale dealers." CR 202 at 2.

Thus, Lindy did not even need to obtain discovery from Bic's customers in order to reasonably estimate Bic's telephone order sales. In fact, as the Ninth Circuit held, "[t]o the contrary, Lindy had access *through discovery of Bic's records from which a reasonable estimate could have been accomplished.*" 982 F.2d at 1408.[5]

Even were this Court to assume, contrary to law and fact, and contrary to Lindy's prior admission, that Lindy does not have the burden of showing Bic's telephone order sales but may instead rely on evidence of overall sales, Lindy would still not be entitled to an award of alleged profits since Bic's detailed, comprehensive and unrebutted "cost or deduction" evidence reliably demonstrates that Bic made no profit, but instead lost money on its overall sale of "BIC Auditor's Fine Point PF" pens, *regardless* of market.

Moreover, Bic also proffered "cost or deduction" evidence relating specifically to sales of "BIC Auditor's Fine Point PF"

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[5] By requiring Lindy to show only Bic's gross telephone order sales, *Bic*, not Lindy, had the burden of apportioning, perhaps through a "procession of witnesses," non-infringing telephone order sales (i.e., made through reference to brand names, model numbers, catalogs, etc.).

pens to those customers which correspond to the district court's definition (on the first remand) of the types of businesses even possibly involved in the telephone order market, namely "office supply stores or other wholesale dealers". CR 202 at 2. Even assuming that *every* "BIC Auditor's Fine Point PF" pen sold to *every* one of these Bic customers was sold in the telephone order market, and assuming that *every* such telephone order sale was made *without* reference to manufacture/brand name or model number, *without* an opportunity for the customer to view catalogs, promotional material, the pens or the boxes containing the pens, *and without* an established customer-seller relationship, Bic's unrebutted calculations relating to these sales show that Bic *lost money* during the *total period* of such sales, made a slight profit of $4,000 in 1979 (a year not even within the appropriate accounting period under 15 U.S.C. §1111 since Lindy failed to place a registration notice on the price sheet located by Bic in 1979, *see* 550 F.Supp. at 1058) and a slight profit of $5,000 in 1980.[6]

In any event, in view of the availability of Bic's records from which Lindy could have proffered a reasonable estimate of Bic's gross telephone order sales, the Ninth Circuit,

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[6] Significantly, Lindy long ago recognized and admitted that Bic did not profit from its innocent, *de minimus* infringement. Specifically, on the accounting/damages remand before the district court, Lindy attempted to compare the facts of the present case to that of a *W.E. Bassett* v. *Revlon, Inc.*, 435 F.2d 656 (2d Cir. 1970) (an inapposite case involving willful infringement). In so doing, however, Lindy admitted:

> There [in *Bassett* v. *Revlon*], as *here, the infringer's profits attributable to the infringement are seemingly small, even non-existent.* (CR 244).

consistent with 15 U.S.C. § 1117(a) and the Sixth Circuit, followed *Mishawaka* by correctly requiring Lindy to bear its admitted burden of proving gross telephone order sales, thereby requiring Bic to apportion non-infringing telephone order sales and prove all other elements of its cost and deductions.

CONCLUSION

The several rulings in this case demonstrate that Bic's infringement was entirely "innocent." *See* 550 F.Supp. at 1058-59, 1060-61; 725 F.2d at 1243-44; CR 202 at 3; 796 F.2d at 257; 14 U.S.P.Q. 2d at 1530; 982 F.2d at 1405-1407.

Bic's use of the accused designation did *not* infringe in the major markets (over-the-counter retail, mail order, telephone solicitation, manufacturer-to-intermediary). After over a decade of costly litigation to Bic, the *only* market within which Bic has been held liable is the narrow telephone order market, a truly insignificant market in which Bic *did not even intend* to sell its "BIC Auditor's Fine Point PF" pen, and it is only certain sales within the telephone order market which can be considered infringing sales (e.g., use of the term "Auditor's" alone, without reference to manufacturer/brand name or model number, without an opportunity for the customer to view catalogs, promotional material, the pens or the boxes containing the pens, and without an established customer-seller relationship). *See* 550 F.Supp. 1056; 725 F. 2d 1240; CR 202; 796 F. 2d 254.

The record evidence overwhelmingly establishes that the amount of "BIC Auditor's Fine Point PF" pens sold in the telephone order market in a manner that could be construed to be infringing is totally speculative and, if even existent, certainly *de minimus*. In any event, Bic made no profit but lost money on the sale of its subject pens. Lindy has admitted as

much when it long ago stated that "*here*, the infringer profits attributable to the infringement are seemingly small, *even non-existent*." CR 244.

Moreover, Bic *voluntarily* discontinued selling its "BIC Auditor's Fine Point PF" pens many years ago, after judgment was reaffirmed *in favor of Bic* on the first remand. CR 220.[7]

Finally, Lindy's claimed "damage" is simply not the result of Bic's innocent and *de minimus* infringement in the telephone order market, but is attributable to a host of other factors which caused Lindy's entire business and sales of *all* Lindy pens, not merely its "Auditor's" pen, to dramatically decline long before Bic's 1979 adoption of the accused designation. *See* 550 F.Supp. at 1059; 725 F.2d at 1244 ns. 2 and 3.

Under these circumstances, an injunction is appropriate and sufficient relief and Lindy is *not* entitled to *any* monetary award, as a matter of law. *See Champion Spark Plug Co.* v. *Sanders*, 331 U.S. 125 (1947); *Maier Brewing Co.* v. *Fleischmann Distilling Corp.*, 390 F.2d 117, 120 (9th Cir. 1968); *Highway Cruises of Cal., Inc.* v. *Security Industries, Inc.*, 374 F.2d 875 (9th Cir. 1967).

Nevertheless, even assuming that Lindy is entitled to an award of Bic's alleged infringing profits under the "unjust enrichment" theory of damages, since it was *not* impossible for

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[7] In addition to voluntarily ceasing use of the accused designation, Bic has already been punished and has suffered enough by the tremendous expense it has incurred in costs and attorneys' fees in defending Lindy's overreaching charges for over a decade, while Lindy's case has been fueled on a contingency fee at little or no expense to Lindy.

Lindy to show a reasonable estimate of Bic's gross telephone order sales, after which Bic would have to isolate or apportion those telephone order sales which were not made in an infringing manner, and would have to also demonstrate all other elements of cost or deduction, the Ninth Circuit in *Lindy III*, consistent with the Sixth Circuit in *Wynn*, correctly applied this Court's ruling in *Mishawaka* in requiring Lindy to show Bic's gross telephone order sales in order to determine infringing profits under 15 U.S.C. § 1117(a).

Accordingly, Bic respectfully requests that the Court deny Lindy's Petition for a Writ of Certiorari in its entirety, and fully and finally resolve this 13½ year old case.

Respectfully submitted,

By: /s/ Jonathan A. Marshall
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August 13, 1993

APPENDIX 1

UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

LINDY PEN COMPANY, INC., and BLACKFEET PLASTICS, INC.,	)	
Plaintiffs,	)	No. CV 80-010-WDK(Ex)
v.	)	ORDER RE DAMAGES
BIC PEN CORPORATION,	)	
Defendant.	)	

In 1986, the United States Court of Appeals for the Ninth Circuit reversed and remanded this case to this Court for a determination of damages after finding that the plaintiffs had established a likelihood of confusion in the telephone order market "resulting from the direct competition of pens with virtually identical marks." *Lindy Pen Co. v. Bic Pen Corp.*, 796 F.2d 254, 257 (9th Cir. 1986). Despite finding that "Bic did not intend to capitalize on Lindy's mark," the Court of Appeals instructed this Court "to order an accounting and to award damages and other relief as appropriate." *Id.* In response, this Court issued an Order Re Remand, directing the parties to submit a written statement of position, with supporting exhibits, on the following points:

> 1) The amount of telephone order sales of Bic pens. The parties should address the propriety and feasibility of a breakdown of sales based on orders requesting pens by manufacturer's name, model number and "Auditor's."

2) Lindy's sales of its Auditor's line before and during the period at issue.

3) Lindy's total attorney's fees incurred in prosecuting this action and those attributable to the theory on which it has prevailed. The statement of attorney's fees should include a brief description of the services rendered, the attorney who performed them, that attorney's applicable billing rate, the date rendered, and the time billed to the tenth of an hours.

4) Any equitable factors for the Court to consider under §1117(a).

(Order Re Remand, August 7, 1987, at 2.) The parties have submitted their briefs in response to the Order. The plaintiffs claim attorney's fees and costs, damages, and profits. After considering the briefs, exhibits and other evidence submitted by the parties, the Court has determined that live testimony on damages is not necessary.

DISCUSSION:

1. Attorney's Fees:

Under 15 U.S.C. section 1117(a), "[t]he Court in exceptional cases may award reasonable attorney fees to the prevailing party." 15 U.S.C.A. section 1117(a) (West Supp. 1989). In this circuit, attorney's fees may be awarded only on a showing of fraud or bad faith. *Transgo, Inc. v. Ajac Transmission Parts Corp.*, 768 F.2d 1001, 1014 (9th Cir. 1985), *cert. denied*, 474 U.S. 1059 (1986). Thus, an "exceptional case" meriting an award of attorney's fees is one in which the proponent produces evidence of malicious, fraudulent, deliberate, or willful infringement. *International Olympic Committee v. San Francisco Arts & Athletics*, 781 F.2d 733, 738 (9th Cir. 1986), *aff'd*, 483 U.S. 522 (1987); *accord*, *WSM, Inc. v. Wheeler Media Services, Inc.*, 810 F.2d 113, 116

(6th Cir. 1987). In this case, the plaintiff has been unable to prove bad faith conduct by the defendant. *See Lindy Pen Co. v. Bic Pen Corp.*, 796 F.2d at 257 ("Bic did not intend to capitalize on Lindy's mark...."); *Lindy Pen Co., Inc. v. Bic Pen Corp.*, 725 F.2d 1240, 1244 (9th Cir. 1984) ("The district court found ... that Bic adopted designation 'Auditor's fine point' without intent to capitalize on Lindy's mark.... [This finding is not] clearly erroneous."), *cert. denied*, 469 U.S. 1188 (1985). Because this case involves an innocent infringement, an award of attorney's fees is inappropriate. For these reasons, the Court hereby DENIES the plaintiffs' request for an award of attorney's fees and costs.

2. Profits:

Under 15 U.S.C. section 1117(a),

> When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled, subject to the provisions of sections 1111 and 1114 of this title, and subject to the principles of equity, to recover (1) defendant's profits.... In assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed.... If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum ... shall constitute compensation and not a penalty.

15 U.S.C.A. section 1117(a) (West Supp. 1989). Ordering the remedy of an accounting of profits is within the discretion of the trial court. *Playboy Enterprises v. Baccarat Clothing Co., Inc.*, 692 F.2d 1272, 1275 (9th Cir. 1982). However, it is an abuse of discretion for the court to refuse to order an

accounting when the infringement is deliberate and motivated by profit. *Id.* Thus, if the defendant is "'attempting to gain the value of an established name of another,'" the court must order an accounting. *Nalpac, Ltd. v. Corning Glass Works*, 784 F.2d 752, 755 (6th Cir. 1986), *quoting Maier Brewing Co. v. Fleischmann Distilling Corp.*, 390 F.2d 117, 123 (9th Cir.), *cert. denied*, 391 U.S. 966 (1968).

In other situations, an accounting is appropriate if injunctive relief proves insufficient to protect trademark rights. *Transgo, Inc. v. Ajac Transmission Parts Corp.*, 768 F.2d at 1030. Generally, in an *innocent* infringement, an injunction preserves the complainant's rights by preventing the future use of the trademarked name. *Maier Brewing Co. v. Fleischmann Distilling Corp.*, 390 F.2d at 123. As the Ninth Circuit has noted,

> causes exist where an infringement is entirely innocent; where rather than attempting to gain the value of an established name of another, the infringer has developed what he imagined to be a proper trade name only to find out later that his name caused confusion as to the source of, and therefore infringed, a product with a registered trademark. [Cite omitted] In such cases, an injunction fully satisfies both the policy of the Act and the equities of the case. *Champion Spark Plug v. Sanders*, 331 U.S. 125, 67 S.Ct. 1136, 91 L.Ed. 1386 (1947).

Maier Brewing Co. v. Fleischmann Distilling Corp., 390 F.2d at 123. Thus, where there is no intent to capitalize on the trade name of another, an accounting of profits is not warranted.

As noted above, the defendant had no intent to capitalize on the plaintiffs' trademarked "Auditor's" name. Instead, the defendant adopted the mark in order to "identify its pen as having an extra fine point." *Lindy Pen Co., Inc. v. Bic Pen Corp.*, 550 F. Supp. 1056, 1059 (C.D.Cal. 1984), *aff'd in part,*

rev'd in part, 725 F.2d 1240 (9th Cir. 1984), *cert. denied*, 469 U.S. 1188 (1985). Because the defendant's infringement in this case was innocent, the Court thereby DENIES the plaintiffs' request for an award of the defendant's profits.

3. Damages:

Under 15 U.S.C. section 1117(a),

> When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled, subject to the provisions of sections 1111 and 1114 of this title, and subject to the principles of equity, to recover ... (2) any damages sustained by the plaintiff.... In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount.... Such sum ... shall constitute compensation and not a penalty.

15 U.S.C.A. section 1117(a) (West Supp. 1989). To recover damages under section 1117(a), a plaintiff must prove both the fact and the amount of damages. *See* 2 J. McCarthy, Trademarks and Unfair Competition §30:27, at 510 (2d ed. 1984). This two-pronged test ensures that the defendant does not retain the fruits of his unauthorized use while preventing the plaintiff from reaping a windfall. *Bandag, Inc. v. Al Bolser's Tire Stores, Inc.*, 750 F.2d 903, 918 (Fed. Cir. 1984).

The plaintiffs must first establish the fact of damages in the telephone order submarket as a consequence of the defendant's infringing use of the "Auditor's" trademark. The 1980 trial testimony of Raymond Poje, the Vice President and Secretary-Treasurer of Inventory Central Wholesale, a wholesale office supply distributor, proves the requisite damage from infringement. Mr. Poje testified:

Q: If a customer were to call you today and ask for Auditor's pens, whose pens would you fill that order with?

A: Since I don't buy Lindy anymore, I would fill it with a Bic pen.

Q: Are there any other reasons that you would fill the order with Bic pens?

A: If they didn't specifically ask me for a Lindy Auditor, I would fill it with a Bic only because to me, is cheaper than a Lindy. So I make more money on it.

....

Q: Have you ever while - have you ever switched a customer over from a Lindy pen which he asked for to a Bic pen?

A: Yes.

Q: Did the name on the box of the pen enable you to make that switch?

A: The name Auditor, you mean?

Q: Yes.

A: Well, if someone specifically - I used to verify all the orders. The salesman would write an order, and I would verify it the next day. If they wrote it for an Auditor's pen, I would send out the Bic pen because there's more profit in it for me. If they specifically asked for a Lindy pen, I would send - fill it with a Lindy pen.

Q: If they asked you for a Lindy pen today and you don't carry it, would you sell them a Bic pen?

A: I would try to, yes.

Q: How would you be able to sell and switch them over to a Bic pen?

A: Because the name Auditor's is on both boxes.

(Plaintiffs' Brief on Damages and Accounting, Vol. I, Reporter's Transcript of Proceedings 743, at 745-47.)

The plaintiffs must next establish the amount of damages resulting from infringement. There are two possible ways to measure damages - the plaintiffs' actual damages, or lost profits from the sale of Lindy "Auditor's" pens in the telephone order submarket, or, if actual damages are unclear, the defendant's unjust enrichment in the form of its profits from the sale of Bic "Auditor's fine point" pens in the telephone order submarket. *Bandag, Inc. v. Al Bolser's Tire Stores, Inc.*, 750 F.2d at 919-20. To establish their lost profits as a measure of damages, the plaintiffs must make a "prima facie showing of reasonably forecast profits." 2 J. McCarthy, Trademarks and Unfair Competition §30:27, at 511. To establish the defendant's profits as a measure of recovery, the plaintiffs must only establish the defendant's sales in the relevant market. 15 U.S.C.A. section 1117(a). The plaintiffs have attempted to prove both measures of recovery.

To demonstrate their lost profits, the plaintiffs seek to use the sales of all Lindy pens other than the "Auditor's" line as a control group. The plaintiffs note that during a fifteen month period between February, 1978 and April, 1979, when Bic began selling its "Auditor's fine point" pens, Lindy's sales averaged 818,122 pens per month. During a twenty-six month period from August, 1979, which the plaintiffs assert was "the beginning of full market-place infringement," to September,

1981, the last full month before Lindy closed its plant, Lindy's sales averaged 924,542 pens per month, an increase in sales of thirteen percent.

The plaintiffs next compare the sales of Lindy "Auditor's" pens in the fifteen month "pre-infringement period" with sales of Auditor's" pens in the twenty-six month "infringement period." During the "pre-infringement period," "Auditor's" pen sales averaged 156,078 pens per month. During the "infringement period," "Auditor's" pen sales decreased to an average of 87,865 pens per month, a decrease in sales of approximately forty-four percent.

The plaintiffs then compare the two sales figures, and conclude that the total decrease in "Auditor's" pen sales as a result of the defendant's infringement was approximately fifty-seven percent, or 88,0503 pens per month. The plaintiffs contend that the infringement by the defendant occurred from August, 1979 through December, 1985, the last date on which the defendant offered its "Auditor's" pens for sale through telephone order sales. Using a profit per pen of $0.27349, the lost profits that the plaintiffs seek over the seventy-seven months of infringement aggregate to $1,863,760.70.

The plaintiffs' determination of damages is problematic, to say the least. First, the plaintiffs do not attempt to isolate telephone order sales from total sales of either Lindy "Auditor's" pens or all other Lindy pens. The Ninth Circuit found a likelihood of confusion only in the telephone order submarket of the telephone sales market, not in the mail order market or the telephone solicitation submarket of the telephone sales market. As a result, the plaintiffs' lost sales figures, even if accepted at face value, are inflated.

Second, the fifteen month "pre-infringement period" selected by the plaintiffs is suspect. This period, not by happenstance, coincides with a period of rapidly increasing sales of Lindy pens exclusive of the "Auditor's" line. In years

previous to this carefully bracketed period, as a graph compiled by the defendant demonstrates, the plaintiffs had suffered a severe diminution in pen sales of these same lines. (*See* Defendant's Exhibits to Statement of Position, Ex. 21.) The plaintiffs have not disputed the accuracy of these figures. (*See* Plaintiff's Statement of Position, at 20 n. *.) A more accurate measure of the plaintiffs' pre-infringement sales would reflect this loss of sales, thereby reducing any lost profits in the infringement period.

Third, the plaintiffs have inexplicably left a four-month gap between the end of their fifteen month "pre-infringement period" and the commencement of their twenty-six month "infringement period." If included in the "infringement period," the increasing sales in these months would further reduce the disparity between sales of Lindy "Auditor's" pens and all other Lindy pens - thereby further diminishing the purported effect of the defendant's infringement. (*See* Plaintiff's Statement of Position, Ex. 359A.)

Fourth, the plaintiffs use one definition of an infringement period to calculate lost sales and another definition by which to calculate lost profits. The first period, twenty-six months in length, ends with the closing of Lindy Pen Company's plant and the sale of its assets to Blackfeet Plastics, Inc. The second period extends seventy-seven months to the last date on which the defendant's "Auditor's fine point" pens were offered for sale. This disparity is troubling. Blackfeet Plastics, Inc. continued to market Lindy pens through December 31, 1985. As a result, Blackfeet's sales data is probative of the plaintiffs' damage from infringement. Thus, the use of two different "infringement periods," one to establish lost sales and the other to calculate lost profits, casts doubt on the plaintiffs' measure of their damages.

Because of the flaws inherent in the plaintiffs' damage calculations, this Court is unable to determine a reasonable forecast of the plaintiffs' lost sales. Accordingly, the plaintiffs

are hereby ORDERED to submit a lost profit assessment according to the following principles:

1) The pre-infringement base period will extend from June, 1973 to April, 1979. This eighty-three month period is equivalent in length to the infringement period adopted by the Court and will serve as a basis of comparison with the infringement period. For Lindy "Auditor's" pens, the plaintiffs must submit the following breakdown of information: a monthly and yearly compilation of total sales and of sales in the telephone order submarket; an average monthly sales figure for total sales and for sales in the telephone order submarket; a profit-per-pen figure for each year; and a monthly, yearly, and total profit calculation for total sales and for sales in the telephone order market. The same information must be submitted for the aggregate of all other Lindy pens.

2) The infringement period will extend from April, 1979 through December, 1985. The plaintiffs must submit the information described in paragraph (1) for both Lindy Pen Company and Blackfeet Plastics, Inc., as relevant, for this entire period.

3) The plaintiffs must compare the figures for the pre-infringement base period with the figures for the infringement period and calculate the percentage change in sales for each period in the plaintiffs' total sales and sales in the telephone order submarket. From this determination, the plaintiffs must then determine the approximate dollar amount of any lost sales.

If the plaintiffs cannot establish lost profits by this method with reasonable certainty, they may use an unjust enrichment method to measure their damages. The plaintiffs are cautioned, however, that they bear the burden of establishing the defendant's sales in the telephone order

submarket. *See Mishawaka Mfg. Co. v. Kresge Co.*, 316 U.S. 203, 206 (1942). The defendants then must prove any costs or deductions from this figure. *See id.*; *see also* 15 U.S.C.A. section 1117(a).

The plaintiffs are hereby ORDERED to submit their calculation of damages, in a brief limited to fifteen pages exclusive of supporting exhibits, within forty days of the date of this Order. The defendants may submit their response, subject to the same page limitation, within twenty days of date of the plaintiffs' filing.

IT IS SO ORDERED.

/s/ William D. Keller
William D. Keller
United States District Judge

DATED: August 1, 1989

APPENDIX 2

UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

LINDY PEN COMPANY, INC., and BLACKFEET PLASTICS, INC.,	)	
Plaintiffs,	)	No. CV 80-010-CHH
v.	)	
BIC PEN CORPORATION,	)	
Defendant.	)	

This action came before the Court for trial June 22 through July 1, 1982. The Court, having considered the evidence and briefs of the parties, makes the following Findings of Fact and Conclusions of Law:

FINDINGS OF FACT

1. Plaintiff, Lindy Pen Company, Inc. (Lindy), a California corporation having its principal place of business in North Hollywood, California, manufactures and sells various types of ball point pens identified by the trademark and name LINDY.

2. On or about December 4, 1981, plaintiff Blackfeet Plastics, Inc. (Blackfeet) acquired substantially all of the assets of plaintiff Lindy, including the trademark and name LINDY. Blackfeet is a Montana corporation, having its principal place of business in Browning, Montana.

3. Defendant Bic Pen Corporation (Bic), formerly known as Waterman-BIC Pen Corporation, is a New York corporation having its principal place of business at Milford, Connecticut. Bic manufactures and sells various types of ball point pens throughout the United States (including the Central District of California), identified by the trademark and name BIC.

4. On September 20, 1966, United States Trademark Registration No. 815,488 was issued to Lindy for the word "Auditor's" in connection with ball point pens. Lindy perfected the registration by filing declarations under Sections 8 and 15 of the Lanham Trademark Act, 15 U.S.C. §§ 1058 and 1065. Lindy assigned this trademark to Blackfeet on December 2, 1981.

5. Lindy has been diligent in policing adoptions of the term "Auditor's" or variations thereof as marks for ball point pens. In some ten instances Lindy has notified various ball point pen manufacturers or distributors of its trademark, each of whom, including Bic, voluntarily stopped using the term "Auditor's."

6. In March, 1965, Bic published a catalog showing, and apparently sold, ball point pens having the mark "Auditor's" stamped on their barrels. On May 17, 1965, Mr. Sidney Linden, president of Lindy, wrote to Bic claiming trademark rights in the term "Auditor's" and requesting that Bic cease its use of that mark. Thereafter, correspondence ensued between outside counsel for Bic and counsel for Lindy. The "controversy" was resolved by Bic's agreeing to cease the use of the term "Auditor's" on its pens after the exhaustion of its then existing inventory.

7. In 1979 Bic began selling ball point pens with the legend "Auditor's Fine Point" stamped on the barrels. For 14 years prior to 1979, Bic did not use such a legend or term on any of its products.

8. Bic decided to adopt the legend "Auditor's Fine Point" in 1979 upon the suggestion of Joel Fishkin, Bic's national commercial sales manager. Mr. Fishkin proposed to take Bic's "Fine Point" pen and "dress it up" to justify a higher list price. The pen was to be sold in the commercial market at a price substantially reduced from the list price. Bic chose the term "Auditor's" to identify the pen as having an extra-fine point. Bic did not use its existing legend "Accountant Fine Point" because it did not want to interfere with sales of that pen, which is sold in the retail market.

9. Before Bic approved the use of the legend "Auditor's Fine Point," Bic's in-house counsel Alan Lipson made an inquiry into the propriety of using that legend. Mr. Fishkin showed Mr. Lipson three catalog sheets and a pen, all from different manufacturers, in which the term "Auditor's" or "Auditor" was used to describe a ball point pen. One of the catalog sheets was for Lindy pens. The catalog sheet made no reference to any claim of a proprietary interest, such as a trademark, for the term "Auditor's." After reviewing this information, Mr. Lipson concluded that the terms "Auditor" and "Auditor's" were commonly used descriptive terms in which no one was claiming registration rights. At the time Bic began using the legend "Auditor's Fine Point" in 1979, it was unaware of Lindy's registered trademark. All references to the earlier 1965 correspondence between Bic and Lindy were held by outside counsel and were unknown to in-house counsel.

10. Mr. Lipson first became aware of Lindy's registered trademark when Lindy filed its complaint. Lindy made no attempt to contact Bic to discuss Bic's use of the legend "Auditor's Fine Point" prior to filing the complaint.

11. The term "Auditor's" was selected by Lindy and has been used by it to inform purchasers that these fine point pens were designed for or would appeal to auditors, accountants and others requiring a fine-point pen.

12. Lindy's customers, when ordering pens of the type in suit, primarily refer to them as "460-F", a model number used by Lindy.

13. Bic's legend "Auditor's Fine Point" was intended as a grade or style designation, as distinguished from other writing instruments manufactured by Bic and bearing such legends as Medium Point, Deluxe Medium Point, Fine Point and Accountant Fine Point. All of these pens were also identified by defendant's trademark and name BIC.

Bic chose the term "Auditor's" to identify the pen as having a fine point, and to be able to list the pen at a higher price than its "Fine Point" pen. In addition, Bic did not want to interfere with sales of its "Accountant's Fine Point" sold in the retail market.

14. The pens in suit are distinguishable. In addition, the packaging and collateral display materials used by the parties in connection with the sale of the respective pens are dissimilar in graphic and textual content.

15. The trademarks and names BIC and LINDY are prominently and repeatedly displayed on the parties' respective packaging and collateral promotional materials so as to avoid any likelihood of confusion, mistake or deception as to source, sponsorship or origin.

16. The term "Auditor's" signifies a class of end users as well as a specific type or model of fine point pen manufactured by plaintiffs and defendant.

17. While Lindy advertised its pens, it has failed to establish that it spent significant sums advertising its "Auditor's" pens as opposed to its other pens or Lindy pens in general.

18. Sales of Lindy's pens have been decreasing for several years. The decreasing sales of the "Auditor's" pen is consistent with the overall decline in Lindy's business.

19. *Strength of Plaintiffs' Trademark.* Plaintiffs' mark is weak. "Auditor's" is a meaningful word in common usage and, when used in the present contest, denotes a type or model of pen distinguishable from broad point pens, laundry and dry cleaning pens, chain-type pens, steno pens, desk pens and other models or types of pens manufactured and sold by plaintiffs and identified by the trademark and name LINDY.

20. *Similarity of the Marks.* Although Bic uses the term "Auditor's," it is used in conjunction with other words ("Fine Point") and defendant's trademark and name ("BIC"). Considering the marks and names in their entirety and as they appear in the marketplace, the marks are not confusingly similar.

21. *Evidence of Actual Confusion.* There has been no showing of actual confusion.

22. *Proximity of the Goods and Marketing Channels Used.* Bic sells the "Auditor's Fine Point" in the mail order and telephone solicitation markets for resale to commercial and industrial users. Some of these pens have been distributed for sale in the retail market by third parties. While the exact percentage of "Auditor's Fine Point" pens produced that reaches the retail market is unknown, it is only a small percentage. Plaintiffs sell the "Auditor's" pen to wholesalers for resale in the retail market. Although some of Bic's "Auditor's Fine Point" pens reach the retail market, on balance it is not significant enough to put the two companies in the same channel of trade.

23. *Defendant's Intent in Selecting the Mark.* There is no indication in the record that defendant sought to capitalize on plaintiffs' mark. Defendant's use of its trademark and name

"BIC" rebuts such an inference. As set forth above, Bic chose the term to identify its pen as having an extra-fine point.

24. *Likelihood of Expansion.* There is no indication that Bic intends to introduce the "Auditor's Fine Point" pen into the retail market. To do so could damage the sales of its "Accountant Fine Point" pen. At this time it is only speculative whether Blackfeet will distribute Lindy products in the commercial market. In fact, the record indicates that one of Blackfeet's reasons for purchasing Lindy was to enter in the retail market.

25. *Type of Goods and the Degree of Care Likely to be Exercised by the Purchaser.* Plaintiffs and defendant sell ball point pens of a variety fairly described as relatively inexpensive, throw-away ball point pens having non-replaceable ink cartridges so that when the ink supply is exhausted it is expected that the customer will discard the pen and purchase a new one. There is no indication that purchasers of plaintiffs' and defendant's ball point pens do not exercise ordinary caution.

26. To the extent that any Conclusions of Law are deemed Findings of Fact, they are incorporated herein.

CONCLUSIONS OF LAW

1. To the extent that any Findings of Fact are deemed Conclusions of Law, they are incorporated herein:

I. *Jurisdiction*

2. This Court has jurisdiction over this case pursuant to 28 U.S.C. §§ 1331(a) and 1338(a). Venue is proper under 28 U.S.C. § 1391(c).

II. *Trademark Infringement, Unfair Competition and False Designation of Origin.*

[1,2] 3. For plaintiffs to succeed on their trademark infringement, unfair competition or false designation claims, the Court must conclude that defendant's use of plaintiffs' mark will cause a likelihood of confusion or deception as to the origin of the goods. New West Corp. v. Nym Co., 595 F.2d 1194, 1201 (9th Cir. 1979); Carter-Wallace, Inc. v. Procter & Gamble Co., 434 F.2d 794, 799-800 (9th Cir. 1970); Golden Door, Inc. v. Odisho, 437 F.Supp. 956 (N.D. Cal.1977), aff'd, 646 F.2d 347 (9th Cir.1980). The same finding is required under California law. Toho Co. v. Sears, Roebuck & Co., 645 F.2d 788, 791 (9th Cir.1981). "The test is not that there might be a possibility of confusion as to the source of plaintiffs' and defendant[s] business, but rather whether there is a likelihood of confusion as to source." HMH Publishing Co. v. Lambert, 482 F.2d 595, 598 (9th Cir.1973).

4. The Ninth Circuit in AMF Inc. v. Sleekcraft Boats, 599 F.2d 341, 348-349 (9th Cir.1979), set forth the following factors to consider in determining whether confusion is likely:

(A) *Strength of plaintiffs' trademark.* "A 'strong' mark is one which is used only in a 'fictitious, arbitrary and fanciful manner' ... whereas, a 'weak' mark is a mark that is a meaningful word in common usage ... or is merely a suggestive or descriptive trademark .... A 'strong' mark is entitled to a greater degree of protection than is a 'weak' one because of its unique usage ...." New West Corporation v. NYM Co., 595 F.2d at 1201-02 (quoting J.B. Williams Co. v. Le Conte Cosmetics, Inc. 523 F.2d 187 (9th Cir.1975) (Citations omitted)). Plaintiff's mark is weak.

(B) *Similarity of the marks.* "Similarity of the marks is tested on three levels: sight, sound, and meaning .... Each must be considered as they are encountered in the marketplace." AMF Inc. v. Sleekcraft Boats, 599 F.2d at 351.

See also, Alpha Indus, Inc. v. Alpha Steel Tube & Shapes, Inc. 616 F.2d 440, 444 (9th Cir.1980); Pignons S.A. de Mecanique dePrecision v. Polaroid Corp., 657 F.2d 482, 487 (1st Cir.1981). The marks in suit are not confusingly similar.

(C) *Evidence of Actual Confusion.* "'Evidence that use of two marks has already led to confusion is persuasive proof that future confusion is likely .... Proving actual confusion is difficult, however, ... and the courts have often discounted such evidence because it was unclear or insubstantial' .... Moreover, selection of a mark with a common word, just as one with a common surname, 'naturally entails a risk of some uncertainty and the law will not assume absolute protection.'" Alpha Indus, Inc. v. Alpha Steel Tube & Shapes, Inc. 616 F.2d at 445 (citations omitted). here there has been no showing of actual confusion.

(D) *Proximity of the Goods and the Marketing Channels Used.* Convergent marketing channels increase the likelihood of confusion, AMF Inc. v. Sleekcraft Boats, 599 F.2d at 353, but the Court should consider the entire situation "on balance" in determining whether products are in the same channel of trade. See Alpha Indus., Inc. v. Alpha Steel Tube & Shapes, Inc. 616 F.2d at 445. The pens in suit are generally not in the same channel of trade.

(E) *Defendant's Intent in Selecting the Mark.* "If the latecomer adopts the name or mark deliberately to capitalize on the prior user's tradename and thus cause and benefit from confusion, that is an important factor in finding the likelihood of confusion." Id. at 446. To raise an inference of a likelihood of confusion, plaintiffs must show that Bic intended to profit by confusing consumers. Toho Co. v. Sears, Roebuck & Co., 645 F.2d at 791 n. 2. There is no indication in the record that defendant sought to capitalize on plaintiffs' mark.

(F) *Likelihood of Expansion.* "[A] 'strong possibility' that either party may expand his business to compete

with the other will weigh in favor of finding that the present use is infringing." AMF Inc. v. Sleekcraft Boats, 599 F.2d at 354. There is no such finding in this case.

(G) *Type of Goods and the Degree of Care Likely to be Exercised by the Purchaser.* "In assessing likelihood of confusion to the public, the standard use by the courts is the typical buyer exercising ordinary caution." Id. at 353.

5. The Court's findings of fact regarding these factors are set forth above. Based on those findings, I conclude that there is no likelihood of confusion as to the source of plaintiffs' or defendant's pens, and that Bic has not infringed plaintiffs' trademark and is not guilty of unfair competition or false designation of origin.

III. *Incontestability*

6. Plaintiffs' trademark is valid and "incontestable" under § 15 of the Lanham Trademark Act, 15 U.S.C. § 1065.

[3,4]]7. Assuming that § 15 may be used as a "sword," see Union Carbide Corp. v. Ever-Ready Inc. 531 F.2d 366, 371-377 (7th Cir.), *cert. denied*, 429 U.S. 830, 97 S.Ct. 91, 50 L.Ed.2d 94 (1976); but see Tillamook County Creamery Ass'n v. Tillamook Cheese and Dairy Ass'n, 345 F.2d 158, 163 (9th Cir.), *cert. denied*, 382 U.S. 903, 86 S.Ct. 239, 15 L.Ed2d 157 (1965), I find that defendant uses the term "Auditor's" "otherwise than as a trade or service mark" and that the term "is descriptive of and used fairly and in good faith only to describe ... its pens." 15 U.S.C. § 1115(b)(4). Defendant uses the legend "Auditor's Fine Point" to tell the public what type of product it is by referring to a class of user for whom the pen is suited. Defendant's "fair use" is therefore a defense to infringement. See Abercrombie & Fitch Co. v. Hunting World, Inc. 537 F.2d 4, 12 (2d Cir.1976); see generally Ideal Indus., Inc. v. Gardner Bender, Inc. 612 F.2d 1018, 1027 (7th Cir.1979), *cert. denied*, 447 U.S. 924, 100 S.Ct. 3016, 65

L.Ed.2d 1116 (1980); 1 J. McCarthy, Trademarks and Unfair Competition § 11.17 (1973). When a plaintiff chooses a mark with some descriptive qualities, he cannot exclude all competing uses even though the mark is properly registered. Abercrombie & Fitch Co. v. Hunting World, Inc., 537 F.2d at 12. As in that case, "it is significant that [Bic] did not use ['Auditor's'] alone ... as it would doubtless have done if confusion had been intended." Id. at 13. And even if Bic were aware of plaintiffs' trademark, more than simple knowledge of prior use is needed to show an intent to misappropriate good will where, as here, plaintiffs chose a highly descriptive mark and defendant merely chose a descriptive word to identify its product. E.R. Squibb & Sons, Inc. v. Cooper Laboratories, Inc., 536 F.Supp. 523, 532 (S.D.N.Y.1982).

IV. *Breach of Contract*

[5] 8. Plaintiffs' breach of contract claim is groundless. The record is devoid of any evidence of a binding agreement between the parties precluding Bic from using the term "Auditor's."

V. *Dilution*

[6] 9. Bic has not diluted plaintiffs' trademark within the meaning of California Business and Professional Code § 14330. "The dilution doctrine has been described as granting protection 'to strong, well recognized marks even in the absence of a likelihood of confusion, if defendant's use is such as to tarnish, degrade or dilute the distinctive quality of the mark.'" Toho Co. v. Sears, Roebuck & Co., 645 F.2d at 793. Plaintiffs' mark is neither strong nor distinctive and plaintiffs have failed to prove that Bic has tarnished, degraded or diluted plaintiffs' mark. See AMF Inc. v. Sleekcraft Boats, 599 F.2d at 345 n. 1.

VI. *Reverse Confusion*

[7] 10. Plaintiffs have failed to establish "reverse confusion" as defined by the Court in Big O Tire Dealers, Inc. v. Goodyear Tire & Rubber Co., 561 F.2d 1365, 1371 (10th Cir.1977), cert. dismissed, 434 U.S. 1052, 98 S.Ct. 905, 54 L.Ed.2d 805 (1978). As discussed above, there is no likelihood of confusion as to the source of plaintiffs' or defendant's pens.

VII. *Additional Conclusions of Law.*

11. Plaintiffs' mark is "merely descriptive" and not "suggestive"; little imagination is needed to reach a conclusion as to the nature of the product. Allowing plaintiffs the exclusive use of the term "Auditor's" would unduly inhibit the legitimate use of the mark by other sellers; and there is no indication that the public views plaintiffs' trademark as an indication of the product's origin rather than a description. See AMF Inc. v. Sleekcraft boats, 599 F.2d at 349.

12. Plaintiffs have not shown that their trademark has acquired secondary meaning. "The basic element of secondary meaning is a mental recognition in buyers' and potential buyers' minds that products connected with the symbol or device emanate from or are associated with the same source. As recognized in this circuit, "[s]econdary meaning has been defined as association[,] nothing more.'" Levi Strauss & Co. v. Blue Bell, Inc., 632 F.2d 817, 820 (9th Cir. 1980). The words must connote to the public a product from a unique source. 1 J. McCarthy, Trademarks and Unfair Competition § 11:9 (1973).

13. Defendant's estoppel argument and reliance on the pre-Lanham Act case Walgreen Drug Stores, Inc. v. Obear-Nester Glass Co., 113 F.2d 956 (8th Cir.), *cert. denied*, 311 U.S. 708, 61 S.Ct. 174, 85 L.Ed, 459 (1940), is without merit and was previously rejected by this Court.

Accordingly, judgment shall be entered in favor of defendant Bic and against plaintiffs Lindy and Blackfeet.

APPENDIX 3

UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

LINDY PEN COMPANY, INC., and BLACKFEET PLASTICS, INC.,	)	
Plaintiffs,	)	No. CV 80-010-CHH
v.	)	SUPPLEMENTAL
BIC PEN CORPORATION,	)	FINDINGS OF FACT AND
Defendant.	)	CONCLUSIONS OF LAW

Pursuant to the directions of the Court of Appeals for the Ninth Circuit in *Lindy Pen Co., Inc. v. Bic Pen Corp.*, 725 F.2d 1250 (9th Cir. 1984), the Court hereby enters the following Supplemental Findings of Fact and Conclusions of Law. These findings of fact supplement the Findings of Fact previously issued by the Court in *Lindy Pen Co., Inc. v. Bic Pen Corp.*, 550 F. Supp. 1056 (C.D. Cal. 1982), and the Conclusions of Law contained herein are specifically directed to the issue of trademark infringement in the telephone sales market for plaintiffs' and defendant's ballpoint pens.

FINDINGS OF FACT

1. The "telephone sales market" is comprised of two separate submarkets. First, pens are sold by telephone solicitors to large commercial and industrial users. This submarket will be referred to as the "telephone solicitation market." Second, some retail or commercial customers use the telephone to place orders for pens with office supply stores or

other wholesale dealers. This submarket will be referred to as the "telephone order market."

2. Bic sells a substantial number of "Auditor's Fine Point" pens to companies that resell the pens in the telephone solicitation market. Lindy, on the other hand, has never sold more than a minimal fraction of its "Auditor's" 460-F pens in the telephone solicitation market, and did not appear to sell any such pens in this market at the time of trial.

3. The name "Bic" is an important factor to consumers who purchase pens in the telephone solicitation market.

4. The ultimate consumer in the telephone solicitation market is the purchasing agent of large- to medium-sized corporations and purchasing agents or owners of retail stores. These consumers are sophisticated purchasers who exercise caution in making purchases, and are not as likely to be confused or deceived as consumers who buy pens from retail outlets.

5. There is no evidence that any purchasers in the telephone solicitation market ever returned any pens to the seller, or otherwise complained to the seller, because they received Bic pens instead of Lindy pens, or vice versa. There is no evidence of any actual confusion between Bic and Lindy pens arising among purchasers in the telephone solicitation market.

6. Both Bic and Lindy pens are sold by wholesale or retail outlets, such as office supply stores, to customers in the telephone order market.

7. Sales in the telephone order market are initiated by customers, not by the seller (as is the case in the telephone solicitation market).

8. Telephone order customers use various terms to describe the pens they wish to purchase. Some customers refer to the pens by the name of the manufacturer, others use the model number, while others simply ask for an "Auditor's" pen.

9. Telephone order customers have an opportunity to inspect the pens they purchase upon delivery. There is no evidence that any customers have ever returned pens to the seller, or complained to the seller, because they received Bic pens instead of Lindy pens, or vice versa. There is no evidence of any actual confusion between Bic and Lindy pens arising among purchasers in the telephone order market.

10. Any Conclusion of Law deemed a Finding of Fact is incorporated herein.

CONCLUSIONS OF LAW

1. Any Finding of Fact deemed a Conclusion of Law is incorporated herein.

2. Plaintiffs' mark is a weak one. Bic adopted the designation "Auditor's Fine Point" without intent to capitalize on Lindy's mark. *Lindy Pen Co., Inc. v. Bic Pen Corp.*, 725 F.2d 1240, 1244 (9th Cir. 1984).

3. The marks "Auditor's Fine Point" and "Auditor's" are confusingly similar when initially encountered in the telephone sales market, since the purchaser is not able to view the product at the time of purchase. *Id.* at 1246. A purchaser may, however, view the pens when they are delivered following the purchase. At this time, the marks are "readily distinguishable," *Id.* at 1245, due to the opportunity for a visual examination of the pens and their packaging.

4. There is no evidence of actual confusion in either the telephone solicitation or telephone order markets.

5. Lindy and Bic sell pens in "convergent marketing channels." *Id.* at 1244-45.

6. There does not appear to be any likelihood that either party will expand its business so as to increase the convergence of the marketing channels. *Lindy Pen Co., Inc. v. Bic Pen Corp.*, 550 F. Supp. 1056, 1061 (C.D. Cal. 1982).

7. Consumers in the telephone solicitation and order markets exercise a greater degree of caution than consumers in the retail market. The telephone solicitation market targets purchasing agents who buy large quantities of office supplies. As professional purchasers, these consumers exercise great care in ensuring that they understand whether they are receiving Bic or Lindy pens. Consumers in the telephone order market are also professional purchasers, and use a high degree of care in their purchases. In cases where a particular purchaser deals with the same seller over an extended period of time, the seller will generally know whether Bic or Lindy pens are desired even if the buyer simply orders "Auditor's" pens.

8. In weighing all of the factors enumerated above, Lindy has failed to establish a likelihood of confusion between its and Bic's pens in the telephone sales market.

9. Bic has not infringed plaintiffs' trademark.

10. Bic has not engaged in unfair competition with Lindy.

11. Bic is not liable for false designation of origin.

Dated: August 29, 1984.

/s/ Cynthia Holcomb Hall
Cynthia Holcomb Hall
United States District Judge